

# TAXES

*Effort  
Growth  
Entrepreneurship*



# ***A young man's view on taxation***

## **Brennan Sorge**

**S**ome of you must be wondering why a 15-year-old is writing about taxation. After reading and listening to many news sources, I learned about the debt situation throughout the western world. This was a driving force in my investigation of fiscal policy, or generally, how government money is collected and used. Taxation is one of the most important parts of fiscal policy, and irresponsible fiscal policies are the causes of many of our current debt problems. My investigation into economically healthy and unhealthy policies brought me to the conclusion that we need responsible spending and responsible taxation.

## **A Brief Understanding of the Topic**

I don't pay taxes. Unfortunately, that's because I don't have an income. The government obviously needs money to fund its various enterprises, activities, and programs. It gets this money by taking from the rich (us, the citizens) and giving to the poor (itself). This is called taxation. This is also why all money that a government receives belongs to the citizenry. Now, the question is, how much should the government take, and is the money well spent?



## My Perspective

At the core of fiscal responsibility are two principles I consider to be especially important. First, a belief in limited government, and second, a right to free enterprise.

Would a government want to have an excessively high tax rate? If the goal is to limit the amount of control the government holds, their take of our income should be low. With that in mind, consider whether you'd prefer to have control over more of your own money, or allow the government to control it for you. I'd prefer to control as much of my own money as possible. My perspective is that the government must be restricted in its ability to control our money, and responsible in how it uses what it takes. This also means we must be responsible for ourselves, because the government won't be there to deal with our every problem.

We know many people prefer a lower tax rate. So, what would the ideal rate be? I suggest the ideal is to have a flat tax rate and one that is as low as is practical. There are many reasons for this, but the most illustrative would be the Laffer curve.\*

Let's say that the government set the tax rate at 100 per cent. Ouch. Would you be willing to work if the government took all your money? I wouldn't. So, it turns out that as tax rates go

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up, they reach a point where government revenue begins to decrease—usually that rate is around 33 per cent. I understand this isn't exact, but it is an estimate that can help us to build successful tax policies. This 33 per cent represents the highest tax rate a government ought to impose on its citizens.

The Laffer curve adequately explains some of the basic reasons for my view of taxation, but it doesn't explain all of them.

Another important reason to keep tax rates low is related to economic growth. For example, the more a business is taxed, the more it would prefer to take its business elsewhere (i.e.:

### **Laffer Curve: Tax Revenue vs. Tax**



*\* The Laffer curve claims to illustrate the concept of taxable income elasticity—i.e., taxable income will change in response to changes in the rate of taxation. The Laffer curve is typically represented as a graph which starts at 0% tax with zero revenue, rises to a maximum rate of revenue at an intermediate rate of taxation, and then falls again to zero revenue at a 100% tax rate. One potential result of the Laffer curve is that increasing tax rates beyond a certain point will be counter-productive for raising further tax revenue.*

relocate). The more it costs for a business to run, the less likely someone will wish to start a new business. These points are ignored by many who don't see the creation of jobs as important as the creation of economic equality (reducing income inequality, redistributing wealth, universalized institutions, etc.). The primary reason for low taxation is ensuring a high growth economy, and allowing for the most job opportunities for citizens, and thereby improving the quality of living. The more money that's left in the hands of Canadian citizens and businesses, the faster our economy will grow.

Finally, I believe people are able to spend their own money better than the government is, no matter who the leader is. Whether I lead (currently illegal), a socialist leads (inconceivable), or the most brilliant technocrat in the history of the world leads (improbable), they can never control everyone's money better than we can control our own money. For this reason, I feel that those who worked for the cash should keep it. This is how I have arrived at my position in favour of lower taxes, and a smaller, more responsible government.

Not as crazy as CNN or the *New York Times* try to portray it to be, eh?



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